

Message Text

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INFO AMEMBASSY BONN

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AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY TEL AVIV

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

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SUBJECT: SOCIAL DEMOCRATIC CONGRESS II: DOMESTIC ECONOMIC
PROGRAM

REF: HELSINKI 1225

1. BEGIN SUMMARY: THE MAIN ECONOMIC POLICIES OF THE
SOCIAL DEMOCRATS AS OUTLINED IN THEIR PARTY PROGRAM ARE
A CONTINUATION OF OLD THEMES, I.E. MAINTENANCE OF FULL
EMPLOYMENT, EQUALIZATION OF INCOME DISTRIBUTION, STABLE
PRICES AND THE BALANCING OF FOREIGN TRADE. IN ADDITION
TO THESE GENERAL GOALS, THE SOCIAL DEMOCRATS IN THEIR
JUNE 5-8 1975 PARTY CONGRESS CALL FOR STRUCTURAL CHANGES
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IN THE COUNTRY'S FINANCIAL MARKETS AND GOVERNMENT

CONTROL OF THE PREPARATION, IMPORTATION AND DISTRIBUTION OF PHARMACEUTICALS. END SUMMARY.

2. THE SOCIAL DEMOCRATIC PARTY (SDP) PROPOSES THAT FINLAND'S COMMERCIAL BANKS AND INSURANCE COMPANIES ALONG WITH THEIR TRUST FUNDS BE BROUGHT UNDER MORE GOVERNMENT CONTROL. THAT IS TO SAY, THE LENDING PRACTICES AND POLICIES OF THE FINANCIAL SECTOR SHOULD BE BROUGHT UNDER THE DIRECT SUPERVISION OF A GOVERNMENT BODY. AS PART OF THE PROPOSED CONTROL OF COMMERCIAL BANKING, THE SDP WANTS TO STRENGTHEN THE POSTAL BANK (A STATE FINANCIAL INSTITUTION) SO THAT ITS INVESTMENT FUND WOULD BE CHANGED TO AN INVESTMENT BANK WHICH WOULD BECOME A PRIME LENDER FOR INDUSTRIAL EXPANSION.

3. THE SELECTION OF FINLAND'S COMMERCIAL BANKS AND INSURANCE COMPANIES AS A TARGET FOR THE SDP CAN BE PARTLY EXPLAINED BY THE CONCENTRATION OF FINLAND'S FINANCIAL INSTITUTIONS. MORE THAN THREE-FOURTHS OF ALL OF FINLAND'S COMMERCIAL BANKING ACTIVITIES ARE HANDLED BY THE TWO LARGEST BANKS. EACH OF THE TWO BANKS HAVE EXTENSIVE BRANCH NETWORKS IN ALL REGIONS OF THE COUNTRY. IN ADDITION, THESE BANKS HAVE CLOSE TIES WITH FINLAND'S LARGEST ENTERPRISES. THE INTERLOCKING OF DIRECTORSHIPS AND THE HIGH RATE OF BANK-SUPPLIED CREDIT FOR FINLAND'S LARGEST FIRMS MAKE THE COMMERCIAL BANKS VULNERABLE TO ATTACK FROM THE LEFT. FOR YEARS THE FINNISH COMMUNIST PARTY HAS CRITICIZED FINLAND'S SYSTEM OF MOBILIZING AND ALLOCATING CAPITAL. THE COMMUNISTS HAVE FELT THAT TOO MUCH POWER AND INFLUENCE ARE CONCENTRATED IN THE COMMERCIAL BANKS. NOW THE SOCIAL DEMOCRATS HAVE ADDED THIS THEME TO THEIR PARTY'S PROGRAM.

4. THE PRECISE METHOD TO BRING COMMERCIAL BANKING AND INSURANCE UNDER GOVERNMENT CONTROL IS AMBIGUOUS IN THE SDP'S PROGRAM, BUT THE TREND TOWARDS MORE CONTROL OF FINLAND'S FINANCIAL INSTITUTIONS IS CLEAR. BEFORE THE PARTY CONGRESS THERE WAS TALK OF

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A TIMETABLE FOR THE SOCIALIZATION OF BANKS AND INSURANCE COMPANIES BEFORE 1980, BUT THE FINAL CONGRESS DOCUMENT CALLED FOR REALIZATION OF THE PROGRAM "IN THE NEXT FEW YEARS". KALEVI SORSA, THE SDP'S NEW CHAIRMAN, IN A PRESS CONFERENCE DURING THE PARTY CONGRESS STRESSED THAT THERE ARE MANY WAYS FOR FINLAND'S BANKS AND INSURANCE COMPANIES TO BE BROUGHT UNDER THE CONTROL OF THE GOVERNMENT. NATIONALIZATION

OF THE BANKS IS NOT THE ONLY WAY. A SUPERVISORY
BOARD OF GOVERNMENT OFFICIALS REPRESENTING THE PUBLIC
INTEREST MIGHT CONTROL THE BANKS' MONEY FLOWS JUST
AS WELL AS DIRECT NATIONALIZATION.
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